6 February 2026

3QFY26 Results Update | Sector: Infrastructure

KNR Constructions

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	KNRC IN
Equity Shares (m)	281
M.Cap.(INRb)/(USDb)	42.8 / 0.5
52-Week Range (INR)	301 / 130
1, 6, 12 Rel. Per (%)	2/-32/-57
12M Avg Val (INR M)	373

Financials & Valuations (INR b)

Y/E Mar	2026E	2027E	2028E
Sales	20.2	24.6	41.2
EBITDA	1.9	3.0	5.8
PAT	1.1	1.8	3.9
EBITDA (%)	9.5	12.0	14.0
EPS (INR)	3.9	6.3	13.7
EPS Gr. (%)	-72.2	63.3	117.5
BV/Sh. (INR)	143.9	149.7	162.9
Ratios			
Net D/E	0.0	0.0	0.0
RoE (%)	2.7	4.3	8.8
RoCE (%)	3.0	4.5	9.0
Payout (%)	12.1	7.9	3.6
Valuations			
P/E (x)	39.1	23.9	11.0
P/BV (x)	1.0	1.0	0.9
EV/EBITDA (x)	21.1	13.7	7.1
Div Yield (%)	0.3	0.3	0.3
FCF Yield (%)	4.9	2.6	1.6

Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	48.8	48.8	48.8
DII	20.0	21.5	29.7
FII	7.4	7.5	7.0
Others	23.8	22.2	14.5

FII includes depository receipts

CMP: INR152 TP: INR160 (+5%) Neutral

Thin executable order book cripples execution; margins hit

- KNR Constructions (KNRC)'s revenue declined ~17% YoY to ~INR5.8b during 3QFY26 (14% above our estimate).
- EBITDA margin contracted 1,140bp YoY to 5.2% (vs. our estimate of 12.5%) in 3QFY26. The margin was hit by a spike in subcontracting expenses. EBITDA dipped ~74% YoY to INR306 (against our estimate of INR644m)
- In line with weak operating performance, APAT decreased ~81% YoY to INR INR176m (against our estimate of INR 550m).
- In 9MFY26, its revenue/EBITDA/APAT declined ~35%/~63%/~72% YoY.
- The company's current order book stands at ~INR88.5b, including INR35.5b from the mining project.
- KNRC delivered a disappointing performance yet again in 3QFY26, missing estimates by a wide margin as execution slowed sharply and revenue declined due to a very thin executable order book and a slowdown in the project awarding by the government.
- Given the subdued execution in 3QFY26 and a thin executable order book, we now expect a tepid revenue CAGR of 8% over FY25–28E. EBITDA margin assumptions are also revised downward to 12-14% (from 14-15% earlier), in line with the weak outlook. Due to a bleak execution outlook in the near term, we cut our revenue estimates for FY27/FY28 by ~27%/3% and EBITDA estimates for FY26/FY27/FY28 by ~24%/~38%/~9. **We reiterate our Neutral rating on the stock with a revised SoTP-based TP of INR160. We value KNRC's EPC business at a P/E of 9x on FY28E EPS and its BOT assets at 1x investment value.**

Key takeaways from the management commentary

- EBITDA margins during the quarter were impacted by higher subcontracting expenses in an outsourced water pipeline project, leading to margin suppression. Management also indicated that some executable orders are in the final stages of execution, which typically carry lower margins.
- Of the revised INR9.6b equity requirement for HAM projects, INR7.3b has been infused to date, with the balance INR2.4b to be invested in the future.
- Management expects INR4.5b of revenue in the 4QFY26, implying ~INR20b of revenue in FY26.
- EBITDA margin guidance has been revised to 9–10% in the near term based on the current executable order book, compared with the earlier guidance of 13–14%.
- Based on the currently thin executable order book, management expects FY27 revenue growth to be muted.

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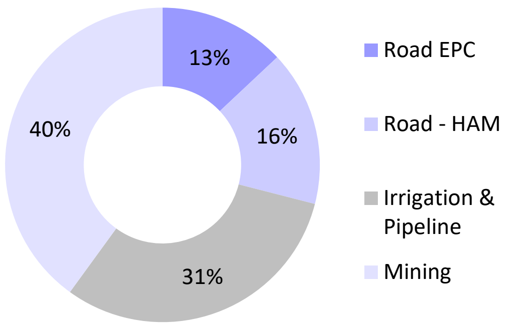
Valuation and view

- Factoring in the subdued execution in 3QFY26 and a thin executable order book, we now expect a tepid revenue CAGR of 8% over FY25–28E. EBITDA margin assumptions are also revised downward to 12-14% (from 14-15% earlier), in line with the weak outlook. Due to a bleak execution outlook in the near term, we cut our revenue estimates for FY27/FY28 by ~27%/3% and EBITDA estimates for FY26/FY27/FY28 by ~24%/~38%/~9.
- **We reiterate our Neutral rating on the stock with a revised SoTP-based TP of INR160. We value KNRC's EPC business at a P/E of 9x on FY28E EPS and its BOT assets at 1x investment value.**

Quarterly performance – Standalone **(INR m)**

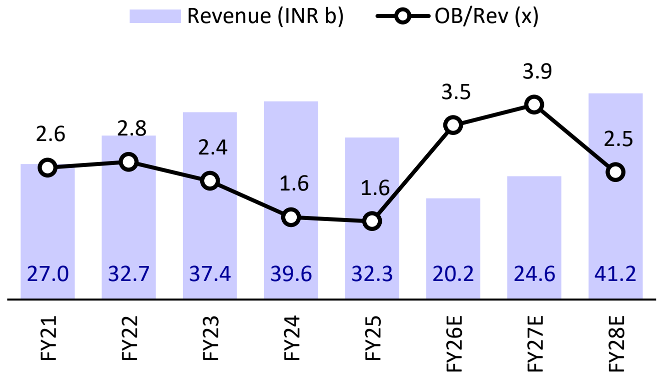
Y/E March	FY25				FY26E				FY25	FY26E	MOFSL	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			3QE	
Net Sales	**8,193**	**8,561**	**7,079**	**8,512**	**4,792**	**4,930**	**5,851**	**4,635**	**32,344**	**20,207**	**5,153**	**14**
YoY Change (%)	-11.9	-9.1	-21.8	-27.8	-41.5	-42.4	-17.4	-45.6	-18.2	-37.5	-27.2	
EBITDA	**1,356**	**1,380**	**1,173**	**1,175**	**617**	**536**	**306**	**460**	**5,084**	**1,920**	**644**	**-52**
Margins (%)	16.6	16.1	16.6	13.8	12.9	10.9	5.2	9.9	15.7	9.5	12.5	
Depreciation	225	226	229	223	150	147	146	303	903	745	200	
Interest	41	20	31	38	34	46	31	9	129	121	30	
Other Income	51	575	130	185	150	39	94	122	941	404	120	
PBT before EO expense	**1,141**	**1,709**	**1,044**	**1,099**	**583**	**382**	**223**	**270**	**4,993**	**1,457**	**534**	
Extra-Ord expense	531	1,867	919	0	80	0	0	0	3,317	80	0	
Tax	334	344	253	348	150	103	46	73	1,279	372	134	
Rate (%)	29.2	20.1	24.3	31.6	25.7	26.9	20.8	27.0	25.6	25.5	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**1,339**	**3,344**	**1,822**	**752**	**513**	**279**	**176**	**197**	**7,257**	**1,166**	**400**	
Adj PAT	**807**	**1,477**	**903**	**752**	**433**	**279**	**176**	**197**	**3,939**	**1,086**	**400**	**-56**
YoY Change (%)	-26.8	47.9	5.6	-43.4	-46.4	-81.1	-80.5	-73.8	-8.1	-72.4	-55.7	
Margins (%)	9.9	17.3	12.8	8.8	9.0	5.7	3.0	4.3	12.2	5.4	7.8	

Exhibit 1: OB breakup (3QFY26: INR88.5b)



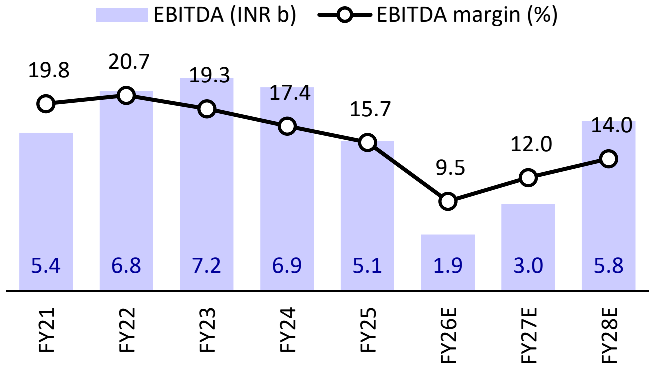
Source: MOFSL, Company

Exhibit 2: With the current OB, revenue likely to clock an 8% CAGR over FY25–28E



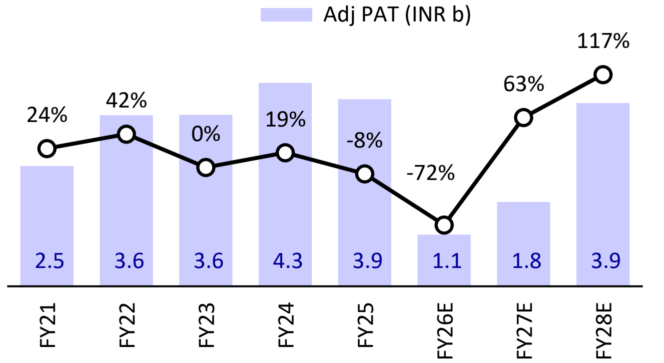
Source: MOFSL, Company

Exhibit 3: EBITDA and EBITDA margin trends



Source: MOFSL, Company

Exhibit 4: Adjusted PAT to remain flat over FY25–28E



Source: MOFSL, Company

CONFERENCE CALL

Highlights from the management commentary

Industry opportunity

- The road infrastructure industry witnessed muted project awarding activity during the quarter, with both MoRTH and NHAI showing slower award conversion despite a healthy pipeline of ~INR3.5t.
- Government focus on large-scale infrastructure—such as 25 new greenfield expressways, a 3,000km port connectivity highway network, and ~INR1t investments in religious tourism corridors—is expected to boost momentum. Additionally, NHAI has lined up ~INR400b worth of assets for monetization to support further infrastructure development.
- Moreover, NHAI’s tightened RFP norms now emphasize awarding projects to technically and financially strong contractors, thus reducing competition in the industry, while new initiatives like the deployment of network survey vehicles aim to enhance highway monitoring and maintenance efficiency.

Order book and bidding pipeline

- As of Dec’25, the order book stands at ~INR88.5b, including INR35.5b from the mining project. The composition includes 29% roads, 19% irrigation, 12% pipeline, and 40% mining projects. Client-wise, 82% was government projects (80% state govt, 2% central govt), 2% private sector, and 16% captive HAM projects. Excluding mining, the order book is executable over the next 18-24 months.

- The company has placed bids for projects worth INR80–90b and plans to bid for an additional ~INR300–400b of projects.
- Of the revised INR9.6b equity requirement for HAM projects, INR7.3b has been infused to date, with the balance INR2.4b to be invested.

Other highlights

- The company has executed Share Purchase Agreements with Indus Infra Trust for the proposed sale of its 100% shareholding (including Sub Debt) of four special purpose vehicles (SPVs), translating into a total consideration of INR15.4b vs. ~INR5.66b of equity to be invested. The divestment is expected to be completed by Sep'26.
- Working capital days moderated to 97 days in 3QFY26, compared to 166 days in 1QFY26, as the company witnessed improved collections. The spike in 1QFY26 was largely due to delayed payments from Telangana irrigation and HAM projects, which had elevated receivable days. Outstanding receivables from the Telangana government currently stand at INR14.3b
- Irrigation projects will broadly be completed by the end of FY26, with some spillover over the next year. Unbilled revenue for the irrigation sector stood at ~INR8b as of Dec'25.
- EBITDA margin during the quarter was hit by higher subcontracting expenses in an outsourced water pipeline project, leading to margin suppression. Management also indicated that executable orders are in the final stages of execution, which typically carry lower margins.
- Mining project: Won in 1QFY26 through a JV with NCC (74:26), awarded the Vemardi coal mine in Jharkhand (INR48b excl. GST). Management expects the project to commence by 2HFY27, with first-year revenue of ~INR900m, ramping up to ~INR7b annually thereafter.
- KNR is planning to enter the metro, railway, BOT toll, and solar sectors, and is exploring JVs for capability expansion.
- Net debt-to-equity at 0.5x (Dec'25).

Guidance

- Management expects INR4.5b of revenue in the 4QFY26, implying ~INR20b of revenue in FY26 against the guidance of INR20-25b provided in 1QFY26
- EBITDA margin guidance has been revised to 9–10% based on the current executable order book, compared with the earlier guidance of 13–14%.
- Based on the currently thin executable order book, management expects FY27 revenues of no more than INR20b.

Exhibit 5: Revisions to our earnings estimates

Earnings Change	Old			New			Change		
INR m	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	20,207	33,749	42,415	20,207	24,609	41,152	0.0%	-27.1%	-3.0%
EBITDA	2,526	4,725	6,362	1,920	2,953	5,761	-24.0%	-37.5%	-9.4%
EBITDA margin	12.5%	14.0%	15.0%	9.5%	12.0%	14.0%	-3.0%	-2.0%	-1.0%
Adj. PAT	1,613	3,212	4,307	1,086	1,774	3,857	-32.7%	-44.8%	-10.5%

Source: Company, MOFSL

Valuation and view

- Factoring in the subdued execution in 3QFY26 and a thin executable order book, we now expect a tepid revenue CAGR of 8% over FY25–28E. EBITDA margin assumptions are also revised downward to 12-14% (from 14-15% earlier), in line with the weak outlook. Due to a bleak execution outlook in the near term, we cut our revenue estimates for FY27/FY28 by ~27%/3% and EBITDA estimates for FY26/FY27/FY28 by ~24%/~38%/~9.
- **We reiterate our Neutral rating on the stock with a revised SoTP-based TP of INR160. We value KNRC's EPC business at a P/E of 9x on FY28E EPS and its BOT assets at 1x investment value.**

Exhibit 6: Our SoTP-based TP stands at INR160

Particulars	INR m	Per share (INR)
Valuation		
FY28 PAT – 9x P/E	34,135	121
BOT Portfolio valuation	10,862	39
Total	**54,126**	**160**

Source: MOFSL, Company

Financials and valuations

Standalone Income Statement

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**37,438**	**39,558**	**32,344**	**20,207**	**24,609**	**41,152**
Change (%)	14.4	5.7	-18.2	-37.5	21.8	67.2
EBITDA	**7,217**	**6,902**	**5,084**	**1,920**	**2,953**	**5,761**
Margin (%)	19.3	17.4	15.7	9.5	12.0	14.0
Depreciation	1,474	1,245	903	745	989	1,039
EBIT	**5,743**	**5,657**	**4,181**	**1,175**	**1,964**	**4,722**
Int. and Finance Charges	393	293	130	121	86	144
Other Income	321	328	941	404	492	576
PBT bef. EO Exp.	**5,671**	**5,692**	**4,993**	**1,457**	**2,370**	**5,154**
EO Items	1,380	654	3,317	80	0	0
PBT after EO Exp.	**7,051**	**6,346**	**8,310**	**1,537**	**2,370**	**5,154**
Total Tax	2,062	1,407	1,279	372	597	1,297
Tax Rate (%)	29.3	22.2	15.4	24.2	25.2	25.2
Reported PAT	**4,988**	**4,938**	**7,257**	**1,166**	**1,774**	**3,857**
Adjusted PAT	**4,148**	**4,284**	**3,939**	**1,086**	**1,774**	**3,857**
Change (%)	15.1	3.3	-8.1	-72.4	63.3	117.5
Margin (%)	11.1	10.8	12.2	5.4	7.2	9.4

Standalone Balance Sheet

(INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	562	562	562	562	562	562
Total Reserves	26,780	31,694	38,887	39,912	41,545	45,262
Net Worth	**27,343**	**32,257**	**39,450**	**40,475**	**42,108**	**45,824**
Total Loans	3	0	0	0	0	0
Deferred Tax Liabilities	-1,229	-1,367	-1,276	-1,276	-1,276	-1,276
Capital Employed	**26,116**	**30,889**	**38,174**	**39,199**	**40,832**	**44,549**
Gross Block	16,955	17,756	17,979	19,279	20,279	21,279
Less: Accum. Deprn.	12,142	13,387	14,290	15,035	16,024	17,063
Net Fixed Assets	**4,813**	**4,369**	**3,689**	**4,244**	**4,255**	**4,216**
Capital WIP	25	22	26	26	26	26
Total Investments	**5,244**	**6,620**	**7,862**	**9,162**	**9,862**	**10,862**
Current Assets	**25,685**	**29,999**	**33,662**	**30,252**	**32,151**	**38,578**
Inventory	2,341	2,207	1,603	1,001	1,219	2,039
Account Receivables	9,834	13,642	12,450	12,124	13,535	14,403
Cash and Bank Balance	1,998	2,346	1,436	1,938	2,099	1,493
Other current assets	11,512	11,804	18,174	15,188	15,297	20,643
Current Liability	**9,651**	**10,121**	**7,065**	**4,485**	**5,462**	**9,133**
Account Payables	3,760	2,739	3,080	1,924	2,343	3,918
Other current liabilities	5,630	7,236	3,768	2,425	2,953	4,938
Provisions	261	146	218	136	166	277
Net Current Assets	**16,034**	**19,879**	**26,597**	**25,767**	**26,689**	**29,444**
Appl. of Funds	**26,116**	**30,889**	**38,174**	**39,199**	**40,832**	**44,548**

Financials and valuations

Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)						
EPS	**14.7**	**15.2**	**14.0**	**3.9**	**6.3**	**13.7**
Cash EPS	20.0	19.7	17.2	6.5	9.8	17.4
BV/Share	97.2	114.7	140.3	143.9	149.7	162.9
DPS	0.2	0.2	0.2	0.4	0.4	0.4
Payout (%)	1.4	1.4	1.0	12.1	7.9	3.6
Valuation (x)						
P/E	10.2	9.9	10.8	39.1	23.9	11.0
P/BV	1.6	1.3	1.1	1.0	1.0	0.9
EV/EBITDA	5.6	5.8	8.1	21.1	13.7	7.1
Dividend Yield (%)	0.1	0.1	0.1	0.3	0.3	0.3
FCF per share	-1.4	5.2	-10.0	7.3	3.9	2.4
Return Ratios (%)						
RoE	16.7	14.4	11.0	2.7	4.3	8.8
RoCE	17.2	15.6	12.1	3.0	4.5	9.0
RoIC	24.4	21.6	13.9	3.1	5.2	11.6
Working Capital Ratios						
Fixed Asset Turnover (x)	2.2	2.2	1.8	1.0	1.2	1.9
Asset Turnover (x)	1.4	1.3	0.8	0.5	0.6	0.9
Inventory (Days)	23	20	18	18	18	18
Debtor (Days)	96	126	140	219	201	128
Creditor (Days)	37	25	35	35	35	35
Leverage Ratio (x)						
Current Ratio	2.7	3.0	4.8	6.7	5.9	4.2
Interest Coverage Ratio	14.6	19.3	32.3	9.7	22.8	32.8
Net Debt/Equity	-0.1	-0.1	0.0	0.0	0.0	0.0

Standalone Cash Flow Statement (INR m)

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	**7,051**	**6,893**	**9,594**	**1,457**	**2,370**	**5,154**
Depreciation	1,474	1,245	903	745	989	1,039
Interest and Finance Charges	363	209	115	121	86	144
Direct Taxes Paid	-2,117	-2,177	-2,167	-372	-597	-1,297
(Inc.)/Dec. in WC	-5,235	-4,068	-7,364	1,332	-761	-3,362
CF from Operations	**1,536**	**2,102**	**1,081**	**3,284**	**2,088**	**1,678**
Others	-1,407	75	-3,717	80	0	0
CF from Operating incl. EO	**129**	**2,178**	**-2,637**	**3,364**	**2,088**	**1,678**
(Inc.)/Dec. in FA	-516	-728	-181	-1,300	-1,000	-1,000
Free Cash Flow	**-387**	**1,450**	**-2,818**	**2,064**	**1,088**	**678**
(Pur.)/Sale of Investments	980	-1,912	-676	-1,300	-700	-1,000
Others	143	1,100	2,771	0	0	0
CF from Investments	**607**	**-1,540**	**1,914**	**-2,600**	**-1,700**	**-2,000**
Inc./(Dec.) in Debt	3	-3	0	0	0	0
Interest Paid	-402	-217	-117	-121	-86	-144
Dividend Paid	-70	-70	-70	-141	-141	-141
Others	0	0	0	0	0	0
CF from Fin. Activity	**-470**	**-290**	**-187**	**-262**	**-227**	**-285**
Inc./Dec. in Cash	**265**	**348**	**-910**	**502**	**161**	**-606**
Opening Balance	1,733	1,998	2,346	1,436	1,938	2,099
Closing Balance	**1,998**	**2,346**	**1,436**	**1,938**	**2,099**	**1,493**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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